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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000943

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TAGS: [CE](#) [ECON](#) [PGOV](#) [PINS](#) [PREL](#) [PTER](#)
SUBJECT: SRI LANKA BOOSTS DEFENSE BUDGET FOR TROOPS,
MILITARY BASES, AND A NEW COAST GUARD

Classified By: DCM VFowler: Reasons 1.4 (B,D)

11. (C) Summary. The Government of Sri Lanka (GSL) has requested almost \$300 million in supplementary defense spending, which will provide for paying current soldiers, salaries and needs, recruiting 25,000 new soldiers, and building bases and a new Coast Guard. The timing of the announcement plays to an upcoming key local election in the heartland of President Rajapaksa,s base of support. The additional spending will come from additional local borrowing, not the IMF disbursement. Although the GSL regards the new defense spending as required by military necessity, the GSL,s continued emphasis on military control rather than political reconciliation is worrisome. End Summary.

Defense Budget Jumps

12. (SBU) The GSL has submitted a supplementary defense budget request for 33.8 billion rupees (approximately \$296 million USD), with the lion,s share allocated to the army. The army will receive 19.6 billion rupees (\$172 million), the navy gets 7.3 billion rupees (\$64 million), the air force obtains 2.9 billion rupees (\$25 million), civil security gains 1.6 billion rupees (\$14 million), and the Ministry of Defense collects 570 million rupees (\$5 million). According to a contact at the Ministry of the Treasury, the 2009 defense budget was 177 billion rupees, so the supplementary budget increases defense spending by 15 percent.

New Military Spending for More Soldiers, Bases, and Coast Guard

13. (C) There are a variety of explanations as to how the supplementary money will be spent. According to the Treasury Ministry, 70 percent of the extra spending will be for wages, uniforms and other troop support costs. According to military contacts, the military needs the extra money due to the high costs of maintaining the IDP camps holding approximately 160,000 people, demining and resettlement costs. The GSL relies on the armed forces in the North for many otherwise civilian tasks due to their confidence in the military and perceived security threats. Other military contacts emphasize recruiting new soldiers, building military bases, moving service headquarters, creating a Coast Guard, and maintaining military preparedness.

¶4. (C) Sri Lanka plans to increase its security forces by 25,000 troops, primarily based in the army. According to Sri Lankan generals, the increased military is needed to provide adequate security in the North, to enable peaceful settlements, and to fill positions of those killed or disabled by the LTTE. Although there have not been any LTTE attacks since the end of the war in May, the Sri Lankan military appears to have serious concerns about the resurgence of the LTTE and wants to take preventive measures. The army also serves as the police in the North due to a shortage of police personnel.

¶5. (C) The military also plans to make capital expenditures to counter perceived future LTTE threats and to maintain peace. The Sri Lankan military hopes to build four to five new military posts in the North and East. The military is also considering moving the headquarters of the Sri Lankan Navy, Army and Air force out of Colombo, s business district to the Battaramula area (near the Parliament). From a business point of view, this would be a positive move, because the high security required by the military makes normal business movement more difficult.

¶6. (SBU) Sri Lanka also plans to establish a new Coast Guard, beginning with two Navy vessels which have already been turned over to the infant Coast Guard. The new Coast Guard plans to start with 25 officers and 250 enlisted. The Coast Guard, s area of responsibility would be maritime security close to the coastline, whereas the Navy will patrol

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deep waters. The GSL proposes to establish Coast Guard bases at the main ports of Colombo, Galle in the South, Trincomalee in the East, Jaffna and Mannar.

¶7. (SBU) Finally, the military justifies the defense increase as required to maintain operational effectiveness. Much of the Army, Navy and Air Force equipment has seen hard use on the battlefield. For instance, the military is currently looking to refurbish 25 used Czech tanks that they have acquired.

Political Benefits of the Defense Increase

¶8. (C) It is no coincidence that the supplementary defense budget was announced on the eve of Southern Provincial elections on October 10. The additional defense spending allows President Rajapaksa to energize his strong southern constituent base on the security issue. The President continues to emphasize patriotic appeals, showing the people that security of the country is his utmost concern. The urban elite in Colombo may question President, s move on his request for additional funds, but the rural masses love his patriotic and paternal gestures. Rajapaksa continues to play to his base and manipulate the public, s fear of the resurgence of LTTE.

GSL Will Raise the Money from Domestic Borrowing, not the IMF

¶9. (SBU) According to Treasury Ministry contacts, the GSL will raise the funds for the supplementary defense spending through additional local borrowing. The GSL will request Parliamentary approval to increase the borrowing limit to enable the expenses. The defense spending will not come from IMF funds, which are strictly held as foreign exchange reserves and are not used for government spending. The IMF mission that reviewed GSL compliance with the IMF agreement had no concerns that IMF money was being shifted into current spending, which would be contrary to the IMF agreement.

¶10. (C) Comment. In addition to the immediate political benefit of the supplementary spending, the GSL clearly still perceives a security threat, and is acting to establish firm control so that the LTTE, or a separatist force like it, cannot re-emerge. Although some of the spending makes sense, the supplementary bill also demonstrates the GSL, s continued

focus on the military. It is disappointing that the GSL maintains a military orientation even after the end of the war, rather than emphasizing political reconciliation. Post will continue to follow the issue closely to track where the supplementary financing is actually spent. End Comment.

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